

FINANCIAL STATEMENTS

SOUTHERN IOWA COUNCIL OF
GOVERNMENTS AND AFFILIATE
CRESTON, IOWA

September 30, 2011

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Independent Auditor's Report

Board of Directors
Southern Iowa Council of Governments and
Southern Iowa Development Group, Inc.
Creston, Iowa 50801

I have audited the accompanying combined statement of financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2011, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2012 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental information identified in the table of contents pages 11 - 23, including the schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ted W. Webb CPA
Creston, Iowa
January 9, 2012

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 1,303,623
Accounts receivable	262,939
Grants receivable	33,601
Current portion of long term loans receivable	<u>125,133</u>
Total current assets	<u>1,725,296</u>

LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$14,430)	1,051,565
Less current portion	<u>125,133</u>
Total long term receivable	<u>926,432</u>

PROPERTY AND EQUIPMENT - at cost	
Building and equipment	142,376
Less accumulated depreciation	<u>(70,346)</u>
Total property and equipment	<u>72,030</u>
Total assets	<u>\$ 2,723,758</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable	\$ 9,939
Accounts payable	5,715
Accrued expenses	<u>35,607</u>
Total current liabilities	<u>51,261</u>

LONG TERM LIABILITIES

Payable to EDSA	<u>31,228</u>
Total long term liabilities	<u>31,228</u>
Total liabilities	<u>82,489</u>

NET ASSETS

Unrestricted	982,667
Temporarily restricted	<u>1,658,602</u>
Total net assets	<u>2,641,269</u>

Total liabilities and fund balances	<u>\$ 2,723,758</u>
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The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
September 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Federal funds	\$ 82,679	\$ 153,000	\$ 235,679
State grants	759,015	---	759,015
Other grants	---	35,400	35,400
Local funds	263,993	---	263,993
Interest income	48,321	---	48,321
Service income	231,150	---	231,150
Miscellaneous	91,605	---	91,605
Net assets released from			
Restrictions	56,445	(56,445)	---
Total revenue and support	<u>1,533,208</u>	<u>131,955</u>	<u>1,665,163</u>
EXPENSES:			
Salary	323,473	---	323,473
Employee fringe	61,609	---	61,609
Health insurance	20,207	---	20,207
Accounting/consulting/legal	9,763	---	9,763
Disaster	554,542	---	554,542
Depreciation	9,429	---	9,429
Consumable supplies	7,256	---	7,256
Dues and subscriptions	5,176	---	5,176
Local	39,687	---	39,687
Repairs and maintenance	21,485	---	21,485
Insurance	11,329	---	11,329
Miscellaneous	22,100	---	22,100
Postage	5,261	---	5,261
Printing and publicity	1,005	---	1,005
Utilities	8,894	---	8,894
Telephone	3,073	---	3,073
Interest	1,818	---	1,818
Housing rehab	373,225	---	373,225
Travel & Meetings	11,040	---	11,040
Total expenses	<u>1,490,372</u>	<u>---</u>	<u>1,490,372</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	42,836	131,955	174,791
NET ASSETS - Beginning of year	<u>939,831</u>	<u>1,526,647</u>	<u>2,466,478</u>
NET ASSETS - End of year	<u>\$ 982,667</u>	<u>\$1,658,602</u>	<u>\$ 2,641,269</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
September 30, 2011

Operating activities:

Excess of revenue and support over expenses	\$ 174,791
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	9,429
(Increase) in accounts receivable	(8,274)
(Increase) in grants receivable	(17,851)
Decrease in prepaid expense	1,331
(Decrease) in allowance for doubtful notes	(10,134)
(Decrease) in notes payable	(63,780)
(Decrease) in accounts payable	(4,465)
Increase in accrued expenses	<u>1,031</u>

Net cash provided by operating activities 82,078

Investing activities:

RFL loans made	(168,683)
RFL loans payments received	<u>146,714</u>

Net cash used in investing activities (21,969)

Financing activities:

Capital purchases	(27,371)
Payments on long-term debt	<u>(531)</u>

Net cash used in financing activities (27,902)

Net (decrease) in cash and cash equivalents 32,207

Cash and cash equivalents as of the beginning of year 1,271,416

Cash and cash equivalents as of end of year \$ 1,303,623

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 1,818

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Note 1. Significant Accounting Policies

Entities:

The Southern Iowa Council of Governments is a public organization established by the former Iowa Code Chapter 473A and governed by 28H and 28I, and encompasses a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local governments through local and state government laws, agreements, and other actions. As stated in the Iowa Code Chapter 28I, "The commission shall have the power and duty to make comprehensive studies and plans for the development of the area and which will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people." The Southern Iowa Council of Governments serves the local governments and citizens in the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union. The Agency is an organization exempt from income tax under Internal Revenue Code Section 170(c)(2).

The Southern Iowa Development Group, Inc. was organized June 22, 1987, and incorporated under the Iowa Nonprofit Corporation Act, Chapter 504 A of the Code of Iowa for the following purposes: 1) To further the economic development of the region comprised of the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union, as well as the cities located therein. 2) To promote and assist the growth and development of business concerns, including small and medium sized business concerns in said area. 3) To stimulate business opportunities and development in said area as measured by increased employment, payrolls, business volume, and corresponding community benefits. The Southern Iowa Development Group, Inc. is an organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 590(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Combined Statements:

The accompanying financial statements present the combination of the financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two corporations. All significant inter-company transactions and accounts have been eliminated.

The combined financial statements are presented because (1) the Board of Directors and management of the two corporations are the same, and (2) the Southern Iowa Development Group, Inc. is financially dependent on the Southern Iowa Council of Governments for its Revolving Loan funds.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

The financial statements of Southern Iowa Council of Governments and the affiliate have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers. All significant accounting policies are in accordance with accounting principles generally accepted in the United States of America.

At the end of the grant period, unearned grant funds that have been received are recorded as a liability to the grantor unless they can be carried over to the next fiscal year in which case they are carried as deferred revenue to be used for grant expenses in the future.

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned administrative contract revenues is deferred to be used for administrative contract expenses in the future. Fees which have been earned but not received are recorded as a receivable.

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel.

Financial Statements Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the Organizations within the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for purposes specified by the grantor. Temporarily restricted net assets are reported as increases in unrestricted net assets if the restrictions have expired or the purposes for which they were received have occurred in the reporting period.

Permanently restricted assets are assets which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2011 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Note 1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are capitalized at cost. It is the organization's policy to capitalize expenditures for these items in excess of \$ 5,000. Lesser amounts are expensed. Property and equipment are being depreciated over estimated useful lives of five to forty years using a straight-line method.

Note 2. Pension and Retirement Benefits

The Southern Iowa Council of Governments contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their covered salary and the Southern Iowa Council of Governments is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. Southern Iowa Council of Governments' contribution to IPERS for the years ended September 30, 2011, 2010, and 2009 \$ 23,366 \$ 19,984, and \$ 18,782 respectively, equal to the required contributions for each year.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2011 was \$ 16,378.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2011, amounted to \$ 966,620. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2011, the EDA RLF loan receivable balance was \$ 800,975.

Note 5. Allocation of Expenses

Some of the costs of providing the various programs and other activities have been allocated in the statement of activity. These allocable costs include accounting, equipment maintenance, insurance, and utilities.

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2011, SICOG has \$ 46,510 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 33,894 or 72.87% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2011, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Deposits

Southern Iowa Council of Governments deposits at September 30, 2011 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 9. Intercompany Transaction

At September 30, 2011 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 45,169 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

Note 10. Subsequent events

There were no subsequent events that would affect the financial statements from September 30, 2011 through January 9, 2012.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION - BY ASSET TYPE
September 30, 2011

	Revolving Loan Restricted Assets	EDA Assistance Restricted Assets	Unrestricted Assets	Net Assets
ASSETS				
CURRENT ASSET				
Cash	\$ 632,420	\$ (5,672)	\$ 676,875	\$ 1,303,623
Accounts receivable	---	---	262,939	262,939
Grants receivable	---	15,750	17,851	33,601
Current portion of long term loans receivable	125,133	---	---	125,133
Total current assets	<u>757,553</u>	<u>10,078</u>	<u>957,665</u>	<u>1,725,296</u>
LONG TERM RECEIVABLE - RLF Loans				
Less current portion	1,051,565	---	---	1,051,565
Total long term receivable	<u>125,133</u>	<u>---</u>	<u>---</u>	<u>125,133</u>
	<u>926,432</u>	<u>---</u>	<u>---</u>	<u>926,432</u>
PROPERTY AND EQUIPMENT - at cost				
Buildings and equipment	---	46,732	95,644	142,376
Less accumulated depreciation	---	46,732	23,614	70,346
Total property and equipment	<u>---</u>	<u>---</u>	<u>72,030</u>	<u>72,030</u>
Total assets	<u>\$ 1,683,985</u>	<u>\$ 10,078</u>	<u>\$1,029,695</u>	<u>\$ 2,723,758</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable	\$ ---	\$ ---	\$ 9,939	\$ 9,939
Accounts payable	4,233	---	1,482	5,715
Accrued expenses	---	---	35,607	35,607
Total current liabilities	<u>4,233</u>	<u>---</u>	<u>47,028</u>	<u>51,261</u>
LONG TERM LIABILITIES				
Long term debt less current portion	---	---	---	---
Payable to EDSA	31,228	---	---	31,228
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total liabilities	<u>35,461</u>	<u>---</u>	<u>47,028</u>	<u>82,489</u>
NET ASSETS				
Unrestricted				
Undesignated net assets	---	---	982,667	982,667
Temporarily restricted				
Net assets	<u>1,648,524</u>	<u>10,078</u>	<u>---</u>	<u>1,658,602</u>
Total net assets	<u>1,648,524</u>	<u>10,078</u>	<u>982,667</u>	<u>2,641,269</u>
Total liabilities and net assets	<u>\$ 1,683,985</u>	<u>\$ 10,078</u>	<u>\$1,029,695</u>	<u>\$ 2,723,758</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY - BY NET ASSET TYPE
Year Ended September 30, 2011

	Revolving Loan Restricted Assets	EDA Assistance Restricted Assets	Unrestricted Assets	Net Assets
REVENUE AND SUPPORT:				
Federal funds	\$ 90,000	\$ 63,000	\$ 82,679	\$ 235,679
State grant	---	---	759,015	759,015
Other grants	---	---	35,400	35,400
Local funds	---	27,000	236,993	263,993
Interest income	47,998	---	323	48,321
Service income	---	---	231,150	231,150
Miscellaneous	47,370	---	44,235	91,605
Total revenue and support	<u>185,368</u>	<u>90,000</u>	<u>1,389,795</u>	<u>1,665,163</u>
EXPENSES:				
Salary	27,312	60,342	235,819	323,473
Employee fringe	5,322	10,155	46,132	61,609
Health insurance	2,568	3,770	13,869	20,207
Disaster	---	---	554,542	554,542
Housing rehab	---	---	373,225	373,225
Accounting/consulting/legal	2,073	1,693	5,997	9,763
Depreciation	614	---	8,815	9,429
Consumable supplies	714	1,902	4,640	7,256
Dues and subscriptions	---	4,291	885	5,176
Local	---	---	39,687	39,687
Repairs and maintenance	461	1,429	19,595	21,485
Insurance	959	1,844	8,526	11,329
Miscellaneous	---	665	21,435	22,100
Postage	510	733	4,018	5,261
Printing and publicity	2,150	2,379	(3,524)	1,005
Utilities	902	1,680	6,312	8,894
Telephone	115	1,478	1,480	3,073
Interest	---	---	1,818	1,818
Travel & meetings	1,498	5,854	3,688	11,040
Total expenses	<u>45,198</u>	<u>98,215</u>	<u>1,346,959</u>	<u>1,490,372</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	140,170	(8,215)	42,836	174,791
FUND BALANCES - Beginning of year	<u>1,508,354</u>	<u>18,293</u>	<u>939,831</u>	<u>2,466,478</u>
FUND BALANCES - End of year	<u>\$ 1,648,524</u>	<u>\$ 10,078</u>	<u>\$ 982,667</u>	<u>\$ 2,641,269</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
REVOLVING LOANS
Year Ended September 30, 2011

	Housing RLF	Farmers Home Administration RLF	Economic Development Administration RLF
REVENUE AND SUPPORT:			
Federal funds	\$ ---	\$ ---	\$ 90,000
Interest income	5,324	952	41,580
Loan origination fees	5,902	375	1,500
Other	783	---	38,810
Total revenue and support	<u>12,009</u>	<u>1,327</u>	<u>171,890</u>
EXPENSES:			
Salary	14,209	972	12,131
Employee fringe	3,668	152	1,502
Health insurance	1,790	57	721
Accounting/consulting/legal	1,226	59	788
Consumable supplies	319	18	377
Depreciation	458	16	140
Insurance	716	24	219
Postage	419	13	78
Printing and publicity	1,696	33	421
Utilities	649	24	229
Telephone	78	3	34
Repairs	317	36	108
Travel & meetings	---	---	1,498
Total expenses	<u>25,545</u>	<u>1,407</u>	<u>18,246</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(13,536)	(80)	153,644
FUND BALANCES - Beginning of year	<u>467,509</u>	<u>127,633</u>	<u>919,227</u>
FUND BALANCES - End of year	<u>\$ 453,973</u>	<u>\$ 127,553</u>	<u>\$ 1,072,871</u>

Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ ---	\$ 90,000
142	47,998
---	7,777
---	39,593
<u>142</u>	<u>185,368</u>
---	27,312
---	5,322
---	2,568
---	2,073
---	714
---	614
---	959
---	510
---	2,150
---	902
---	115
---	461
---	<u>1,498</u>
---	<u>45,198</u>
142	140,170
<u>(6,015)</u>	<u>1,508,354</u>
<u>\$ (5,873)</u>	<u>\$ 1,648,524</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
EDA ASSISTANCE GRANTS
Year Ended September 30, 2011

	Grant No. 05- <u>83-04944</u>	Grant No. 05- <u>83-04944</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Federal funds	\$ 31,500	\$ 31,500	\$ 63,000
Local funds	<u>13,500</u>	<u>13,500</u>	<u>27,000</u>
Total revenue and support	<u>45,000</u>	<u>45,000</u>	<u>90,000</u>
EXPENSES:			
Salary	27,120	33,222	60,342
Employee fringe	4,994	5,161	10,155
Health insurance	1,952	1,818	3,770
Accounting/consulting/legal	104	1,589	1,693
Consumable supplies	617	1,285	1,902
Dues and subscriptions	4,051	240	4,291
Insurance	867	977	1,844
Equipment	665	---	665
Postage	377	356	733
Printing and publicity	1,172	1,207	2,379
Utilities	813	867	1,680
Telephone	428	1,050	1,478
Repairs	794	635	1,429
Travel & meetings	<u>2,291</u>	<u>3,563</u>	<u>5,854</u>
Total expenses	<u>46,245</u>	<u>51,970</u>	<u>98,215</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	(1,245)	(6,970)	(8,215)
FUND BALANCES - Beginning of year	<u>---</u>	<u>18,293</u>	<u>18,293</u>
FUND BALANCES - End of year	<u>\$ (1,245)</u>	<u>\$ 11,323</u>	<u>\$ 10,078</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
STATEMENT OF ACTIVITY
SICOG UNRESTRICTED ASSETS
Year Ended September 30, 2011

	Total Administrative <u>Contracts</u>	Unapplied <u>Funds</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Federal grant	\$ 82,679	\$ ---	\$ 82,679
State grant	172,328	586,687	759,015
Other grant	---	35,400	35,400
Local funds	96,263	140,730	236,993
Interest income	---	323	323
Service income	138,690	92,460	231,150
Miscellaneous	<u>40,885</u>	<u>3,350</u>	<u>44,235</u>
Total revenue and support	<u>530,845</u>	<u>858,950</u>	<u>1,389,795</u>
EXPENSES:			
Salary	89,153	146,666	235,819
Employee fringe	17,438	28,694	46,132
Health insurance	4,993	8,876	13,869
Disaster	---	554,542	554,542
Housing rehab	373,225	---	373,225
Accounting/consulting/legal	2,158	3,839	5,997
Depreciation	---	8,815	8,815
Consumable supplies	1,670	2,970	4,640
Dues and subscriptions	---	885	885
Local	---	39,687	39,687
Repairs and maintenance	7,054	12,541	19,595
Insurance	3,069	5,457	8,526
Miscellaneous	19,821	1,614	21,435
Postage	1,445	2,573	4,018
Printing and publicity	---	(3,524)	(3,524)
Utilities	2,272	4,040	6,312
Telephone	533	947	1,480
Interest	1,807	11	1,818
Travel & meetings	<u>1,328</u>	<u>2,360</u>	<u>3,688</u>
Total expenses	<u>525,966</u>	<u>820,993</u>	<u>1,346,959</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	4,879	37,957	42,836
FUND BALANCES - Beginning of year	<u>31,716</u>	<u>908,115</u>	<u>939,831</u>
FUND BALANCES - End of year	<u>\$ 36,595</u>	<u>\$ 946,072</u>	<u>\$ 982,667</u>

See accompanying independent auditor's report

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance Title IX Long-Term Economical Deterioration Revolving Loan Fund Grant	11.307	05-39-02265	\$ 370,113
Deterioration Revolving Loan Fund Grant	11.307	05-39-226501	216,014
Economic Adjustment Grant RLF	11.307	05-79-04736	380,493
Economic Adjustment Disaster Recovery	11.307	05-69-04684	28,928
Support for Planning Organizations	11.302	05-83-04404	<u>63,000</u>
Total U.S. Department of Commerce			<u>1,058,548</u>
<u>U.S. Department of Transportation</u>			
Passed through Iowa Department of transportation:			
Intermodal Transportation Planning	20.205	FHWA	32,788
Grant for Urbanized Area	20.509	FTA 5311	<u>20,963</u>
Total U.S. Department of Transportation			<u>53,751</u>
Total expenditures of federal awards			<u>\$ 1,112,299</u>

TED WILLETS

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MEMBER OF
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

I have audited the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of and for the year ended September 30, 2011 and have issued my report thereon dated January 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s combined financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*

This report, is intended solely for the information and use of the Board of Directors, management, and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jeff Willets CPA

Creston, Iowa

January 9, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

Compliance

I have audited Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal programs for the year ended September 30, 2011. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements.

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express such an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in the internal control over compliance that I consider to be material weaknesses, as defined above.

Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, managers, and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ted Willets CPA

Creston, Iowa
January 9, 2012

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
Schedule of Prior Year Audit Findings
Year Ended September 30, 2011

Prior Year Audit Findings

None.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF FINDINGS
Year Ended September 30, 2011

Summary of the Independent Auditor's Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Southern Iowa Council of Governments and Affiliate
2. There are no reportable conditions relating to the audit of the combined financial statements.
3. No instances of noncompliance material to the combined financial statements of Southern Iowa Council of Governments and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Southern Iowa Council of Governments and Affiliate expresses an unqualified opinion on all major federal programs.
6. There was one audit finding that was required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program include:

Name of federal program

CFDA number

Title IX Long-Term Economic Deterioration
Revolving Loan Fund Grant

11.307

8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 11-01 Title IX Long-Term Economic Deterioration Revolving Loan Fund Grant

Condition: This finding was a reportable condition stating that the required lending levels of the revolving loans outstanding were not met at September 30, 2011. The finding stated that the Organization did not meet the EDA level of effort in the administration of the Revolving loan fund. EDA could require that the funds that were under the level could be sequestered.

Recommendation: The auditor recommend that the Organization continue to monitor the project and communicate the status to the Economic Development Administration.

Response: The Organization has communicated the situation to EDA. The Organization has several clients about ready to commit to new borrowings in excess of the deficit.

Response accepted.